

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 L-02 H-01

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FM AMEMBASSY CAIRO

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TAGS: EFIN EINV EG

SUBJECT: DEVELOPMENTS ON THE BANKING FRONT

REF: CAIRO 10136

SUMMARY: SLOW BUT STEADY PROGRESS IS STILL BEING MADE BY AMERICAN BANKS INTERESTED IN DOING BUSINESS IN EGYPT, BUT SOME ADDITIONAL PROBLEMS HAVE BEEN ENCOUNTERED.

1. SINCE PREPARATION REFTEL THERE HAVE BEEN A FEW NEW DEVELOPMENTS RELATED TO ACTIVITIES AMERICAN BANKS IN EGYPT.

2. CHASE MANHATTAN. IN AMPLIFICATION STATEMENTS REPORTED REFTEL, CHASE NOW INDICATES THAT RATHER THAN ABANDONMENT JOINT VENTURE LOCAL BANKING, PRESENT PLANS MERELY CONSTITUTE "POSTPONEMENT" FOR INDEFINITE PERIOD OF FULL-SCALE LOCAL BANKING ACTIVITIES BECAUSE LOCAL REPS FEEL THEY COULD NOT PROVIDE KIND OF SERVICE THEIR CUSTOMERS DESERVE IN NEAR FUTURE. REPS INSIST, HOWEVER, THAT EVENTUALLY CHASE WILL PROVIDE LOCAL COMMUNITY WITH FULL-RANGE BANKING SERVICES. (COMMENT: THIS APPLICATION OF INFORMATION PREVIOUSLY SUPPLIED EMBASSY DOES NOT

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SUBSTANTIALLY ALTER OUR VIEW THAT "POSTPONEMENT" IS TACIT

ACCEPTANCE OF ANTICIPATED DIFFICULTIES).

3. AMERICAN EXPRESS. EMBASSY HAS HAD EXTENSIVE DISCUSSIONS WITH AMEX REP WHO HAS BEEN ENGAGED IN ESTABLISHING COMPANY'S ACTIVITIES IN EGYPT AND HAS LEARNED THAT, IN ADDITION TO FOREIGN EXCHANGE OPERATIONS, AMEX IS WELL ON WAY TO ESTABLISHING JOINT VENTURE WITH BANK OF ALEXANDRIA. COMPANY REPORTS THAT ALL FACETS OF EGYPTIAN BUREAUCRACY, WITH EXCEPTION CENTRAL BANK (SEE BELOW) HAVE BEEN ENTHUSIASTICALLY SUPPORTIVE OF COMPANY'S EFFORTS TO BEGIN FULL OPERATIONS IN NEAR TERM. APPROVAL OF APPLICATION FOR JOINT VENTURE WAS APPARENTLY GIVEN ON DEC 17. (COMMENT: WE ARE NOT QUITE AS OPTIMISTIC AS AMEX, BUT COMPANY DOES SEEM TO HAVE MADE MORE PROGRESS IN SHORTER PERIOD OF TIME THAN COMPETITORS).

4. AMEX REPORTS THAT, WITH EXCEPTION MINOR PROBLEMS RELATED TO CONTRACTS, LEASES ETC, ONLY MAJOR OBSTACLE ENCOUNTERED IS SURPRISE PRESENTATION BY CENTRAL BANK OF BOYCOTT QUESTIONNAIRE REQUIRING COMPANY TO MAKE A SERIES OF STATEMENTS RELATED TO COMPANY'S ASSOCIATIONS INVOLVING ISRAEL. (THIS IS FIRST EMBASSY HAS HEARD OF REQUIREMENT, WHICH AMEX WAS TOLD IS A STEP THAT MUST BE TAKEN BY ALL FOREIGN FIRMS CONTEMPLATING JOINT VENTURES. WE ARE SEEKING FURTHER INFORMATION ON SUBJECT AND WILL REPORT FURTHER.) AMEX FEELS THAT US DOMESTIC PROBLEMS MIGHT RESULT FROM FACT THAT COMPANY REQUIRED TO MAKE STATEMENTS RELATED TO ISRAEL, GIVEN NATURE OF ITS NEW YORK OPERATION. IT IS APPARENTLY FACT OF RATHER THAN NATURE OF QUESTI ON- AIRE REPLIES THAT MIGHT CAUSE PROBLEMS, ALTHOUGH COMPANY EVIDENTLY COULD NOT PROVIDE HONEST ANSWERS TO TWO OF THE QUESTIONS.

5. FURTHER INSIGHT INTO INTERNAL GOE STRUGGLE OVER ROLE TO BE PLANNED EXTENT OF ACTIVITIES OF FOREIGN BANKS IS PROVIDED BY RECENT PRESS ANNOUNCEMENT OF LONG-ANTICIPATED DECISION BY THE HIGHER ECONOMIC AND POLITICAL PLANNING COMMITTEE TO FREE A NUMBER OF MAJOR PUBLIC SECTOR INDUSTRIAL COMPANIES FROM NORMAL ADMINISTRATIVE AND BUREAUCRATIC RESTRAINTS ON THEIR COMMERCIAL ACTIVITIES. WHILE EXACT NATURE OF THIS "LIBERALIZATION" IS YET UNCLEAR, ONE OF FEATURE WOULD LEAVE SELECTED FIRMS FREE TO CHOOSE EGYPTIAN BANK WITH WHICH TO CONDUCT FULL RANGE BANKING LIMITED OFFICIAL USE

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ACTIVITIES. (AS DEPT AWARE, EGYPTIAN BANKS SPECIALIZE IN VARIOUS SECTORS OF ECONOMIC ACTIVITY AND ALL FIRMS BELONGING TO SUCH SECTORS ARE REQUIRID TO DEAL EXCLUSIVELY WITH A DESIGNATED BANK). ACCORDING TO TAHER AMIN, MINSTATE FOR ECONOMIC COOPERATION, 30 FIRMS WERE TO BE NAMED AND WOULD BE PERMITTED TO SELECT ANY JOINT VENTURE BANK IN EGYPT OR AN EGYPTIAN-OWNED BANK. ON OTHER HAND, GOV OF CENTRAL BANK, AHMED ZANDOU, INSISTED THAT ONLY 20 SUCH FIRMS WOULD BE NAMED, AND THAT, WHILE ALLOWED TO CHOOSE

THEIR BANK, CHOICE WOULD BE LIMITED TO GOE-OWNED BANKS WITH NO POSSIBILITY TO USE JOINT VENTURE BANKS. ZANDOU TOLD AMEX REP THAT "PUBLIC SECTOR DEALS WITH PUBLIC SECTOR. YOU, I.E. JOINT VENTURE BANKS, WILL DEAL WITH PRIVATE SECTOR ONLY".

6. AS IT TURNED OUT, ZANDOU WAS CORRECT ON NUMBER OF PUBLIC SECTOR FIRMS FREED FROM CONTROLS. IT IS NOT YET CLEAR AS TO ACCURACY HIS STATEMENT RE THEIR ABILITY TO USE JOINT VENTURE BANKS. SINCE NONEOF LATTER ARE YET IN OPERATION, QUESTION IS ACADEMIC AT THIS TIME, BUT WILL BE OF IMPORTANCE IN FUTURE.

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